

SEATTLE CITY LIGHT
2007 - 2008 Proposed Budget Presentation to Council
Sept. 28th, 2006

1. Outcomes for Key Dept Activities

The following table describes outcomes for key City Light activities in 2006. Certain outcomes may correspond to an individual budget program or be spread across a number of programs, such as financial performance. For each key program/activity we have listed whether we expect to meet, exceed or fall short of projections in 2006.

2006 Outcomes			
2006 Program/ Activity	Specific 2006 Outcome(s)	Expectations in Meeting Outcome(s) in 2006 (Meet, Exceed, Fall Short)	If Exceed or Fall Short, Explain
All Business Units: Transformation Initiatives Phase I & II	Transition to new organization structure and staff the officer and Director positions	Meet	
Financial Services: Reduce Debt	On track to improve debt to capitalization ratio to achieve 60% by 2011.	Meet	
Financial Services: Net Income	Achieving 2006 plan for net income of \$107.3M	Exceed	Normal water year, improved trading practices, generator availability, and high natural gas prices are providing higher revenue than forecasted.
Financial Services: Cash Position	Maintaining operating cash position of \$30M	Exceed	Higher revenue is generating improved cash position.
Financial Services: Bond Ratings	Improve SCL bond ratings	Meet	
Financial Services: Electric Rates	Propose rates for 2007- 2008 that comply with all financial policies and rate making objectives	Meet	
Financial Services: Capital Improvement Plan	Efficient, effective and timely completion of Capital Improvement Projects with an accomplishment rate of 92%	Meet	
Financial Services: Increase Women and Minority Business Enterprise usage	Increase purchasing opportunities for historically underutilized businesses with a goal of 6.51% for 2006	Exceed	Aggressive HUB utilization plan; maximum participation in vendor fairs; appointment of Strategic Advisor to oversee effort. <u>Purchasing</u> 2005 = 5.16%, \$2.6M Aug 2006 = 9.31%, \$3.2M <u>Consulting</u> 2005 = 2.74%, \$332k Aug 2006 = 10.28%, \$492k

2006 Outcomes

2006 Program/ Activity	Specific 2006 Outcome(s)	Expectations in Meeting Outcome(s) in 2006 (Meet, Exceed, Fall Short)	If Exceed or Fall Short, Explain
Power Supply & Environmental Affairs: Environmental	Maintain Greenhouse Gas Neutrality	Meet	
Power Supply & Environmental Affairs: Conservation	Achieve 7.25 aMW through conservation and meet 100% of load growth with conservation and renewable resources.	Meet	
Power Supply & Environmental Affairs: Boundary Relicensing	Complete and file the FERC Preliminary Application Document (PAD) in May 2006; develop environmental study plan by September 2006; and, submit the Formal Proposed Study Plan by October 2006	Meet	
Power Supply & Environmental Affairs: Generation	Achieve a Generator Availability of at least 78.9% allowing for scheduled maintenance	Exceed	Less forced outages than anticipated
Power Supply & Environmental Affairs: Integrated Resource Plan	Produce a draft IRP and recommendation by November 2006	Meet	
Power Supply & Environmental Affairs: Risk Management	Achieve 2006 plan of \$115.7 million in net wholesale revenue	Exceed	Normal water year, and improved trading strategies combine for higher wholesale revenue than forecasted.
Power Supply & Environmental Affairs: Risk Management	Develop risk management policies and procedures manual by year-end 2006	Meet	
Customer Service & Energy Delivery: Customer Electric Service Installation Process	Reduce the residential installation cycle time for service from a high of 260 days to 150 days by end of 2006 with a goal of 60 days by end of 2008	Meet	
Customer Service & Energy Delivery: Asset Management	Develop an Asset Management Plan in 2006 for implementation by January 2007	Meet	

2006 Outcomes

2006 Program/ Activity	Specific 2006 Outcome(s)	Expectations in Meeting Outcome(s) in 2006 (Meet, Exceed, Fall Short)	If Exceed or Fall Short, Explain
Customer Service & Energy Delivery: Reliability	Achieve SAIDI of 50 or less (average outage time in minutes per year per customer) SAIFI no greater than 1 (number of outages per year the average customer experiences)	Fall Short	Outages caused by storms, deferred maintenance on equipment, deferred tree trimming, and labor shortages on work crews. (SCL is addressing 5-years of deferred maintenance on distribution equipment and increasing tree trimming to reduce outages. Increasing apprenticeship training by 35 seats.)
Customer Service & Energy Delivery: Interagency Support	Support interagency projects such as Sound Transit and the Alaska Way Tunnel by meeting project schedule	Meet	
Customer Service & Energy Delivery: CCSS	Achieve fully functioning Advantage Banner upgrade to improve customer support	Meet	
Human Resources: Diversity of Workforce	Exceed or meet availability in 29 out of 35 EEO categories	Meet	
Human Resources: Performance Compensation	Develop an Electric Utility Executive compensation program by year end 2006	Meet	
Human Resources: Workforce Planning	Addressing the shortage of electrical workers	Fall Short	Labor market is very tight in the skilled electrical trades. We are increasing apprenticeship training by 35 seats in 2007. This will provide an opportunity to improve diversity of workforce as well as to address shortages.

2. 2006 Budget Data

The following table provides all transfers of appropriations through August 31, 2006 for which Council has not been notified and were approved by the City Budget Director in accordance with SMC 5.08.020.

2006 Adopted Total Department Appropriation: \$903,137,537				
2006 Program	% of Total Dept. Budget	Funding Expended in 2006 (YTD)	Shift/Change from 2006 Adopted Budget	Describe Shift/Change
O&M – Office of Superintendent	0.35%	\$2,101,731	-\$41,572	Transfers to align existing positions with New Organization; Duwamish funding
O&M – Financial Services	2.83%	\$16,653,359	-\$434,794	Transfers to align existing positions with New Organization; IRP and Load Forecast; MS Office 2003 upgrade changed from Financial Services CIP to Financial Services O&M
O&M – Power Supply	4.33%	\$26,621,462	\$498,327	Transfers to align existing positions with New Organization; IRP and load forecast; substation maintenance from Distribution Services
O&M – Conservation Resources – Environmental Affairs	2.56%	\$20,899,328	-\$22,408	Transfers to align existing positions with New Organization; Duwamish funding
O&M – Distribution Services	5.53%	\$37,052,465	-\$200,277	Transfers to align existing positions with New Organization; communications equipment at Rattlesnake; substation maintenance to Power Supply
O&M – Customer Services	2.05%	\$12,545,739	\$75,695	Transfers to align existing positions with New Organization; Electric rate public forum from Office of Supt.
O&M – Human Resources	0.38%	\$2,148,808	\$2,034	Transfers to align existing positions with New Organization
CIP – Financial Services	0.97%	\$4,162,204	-\$429,005	MS Office 2003 upgrade changed from CIP to O&M
CIP – Power Supply & Environment Affairs	2.49%	\$28,742,006	-\$19,800	Realignment of CIP budget with the revised CIP plan
CIP – Customer Services & Distribution Services	7.45%	\$47,113,747	\$19,800	Realignment of CIP budget with the revised CIP plan
Purchased Power	42.85%	\$206,667,922	\$0	
General Expenses	5.94%	\$37,210,436	-\$226,000	Transfer related to utility tax
Debt Services	15.19%	\$81,365,648	\$0	
Taxes	7.08%	\$38,890,410	\$326,000	Transfer related to utility tax

3. 2007/2008 Proposed Budget Changes (by BCL)

The following table provides the key changes from the 2006 Adopted Budget to the 2007 - 2008 Proposed Budgets and how these changes may impact services provided to the public and how they relate to City Light priorities.

2007 BCL Changes						
BCL Name	2006 Adopted Budget	2007 Proposed Budget	+/- % Change from 2006	2008 Proposed Budget	+/- % Change from 2007	How Changes May Impact Services to Public
O&M – Office of Superintendent	3,204,788	3,517,306	9.8%	3,599,701	2.3%	Improve City Light's involvement in regulatory and inter-governmental matters to enhance the interests of the utility
O&M – Finance Services	25,584,940	25,068,005	-2.0%	25,952,827	3.5%	Reorganization of IT, improvement of risk management, and introduction of corporate performance will result in greater financial strength and reduce rates over the long-term.
O&M – Power Supply	39,060,764	51,944,005	33.0%	55,096,088	6.1%	Boundary relicensing efforts will preserve Boundary asset to supply low-cost, clean power to customers. Addressing deferred maintenance will reduce risk of forced outages.
O&M – Conservation Resources and Environmental Affairs	23,144,233	23,789,461	2.8%	25,220,932	6.0%	No change: Continues benefits derived from greenhouse gas neutrality and other conservation and environmental programs.
O&M – Distribution Services	50,363,999	55,257,675	9.7%	57,550,022	4.1%	Includes measures such as tree trimming to improve reliability. Also includes improved customer connection services.
O&M – Customer Service	18,043,893	18,352,297	1.7%	18,633,305	1.5%	Provides security improvements at various SCL facilities to protect assets serving customers.

2007 BCL Changes						
BCL Name	2006 Adopted Budget	2007 Proposed Budget	+/- % Change from 2006	2008 Proposed Budget	+/- % Change from 2007	How Changes May Impact Services to Public
O&M – Human Resources	3,434,324	4,430,166	29.0%	4,546,132	2.6%	Provides increased Apprentice training to increase skilled workforce needed to reduce outages and improve customer connection services. Provides Talent Acquisition staffing to increase performance of organization.
CIP – Financial Services	8,731,696	3,911,935	-55.2%	3,694,864	-5.5%	No Change: Shifts CIP projects from IT to Customer Service
CIP – Power Supply	22,507,072	27,058,529	20.2%	32,425,331	19.8%	Improves power supply availability resulting from generator rewinds and new BPA Interconnection. Vehicle replacement will help increase service reliability for customers.
CIP – Customer Service and Energy Delivery	67,299,143	95,943,638	42.6%	109,437,590	14.1%	Provides for relocation of assets due to Alaskan Way Tunnel, providing Burien Under-grounding (reimbursable), Pole Replacement, and replace 26Kv breakers to improve reliability
Purchased Power	386,983,751	355,145,654	-8.2%	350,793,045	-1.2%	No change: Need for purchased power is reduced
General Expenses	53,634,635	58,807,109	9.6%	62,192,995	5.8%	Ensures environmental mitigation for public areas. Increases in benefits and City cost allocations do not impact customers.
Debt Service	137,192,623	136,508,997	-0.5%	137,175,911	0.5%	No Change
Taxes	63,951,676	62,817,129	-1.8%	64,090,606	2.0%	No Change
Total	903,137,537	922,551,907	2.1%	950,409,348	3.0%	

4. 2007/2008 Proposed Staffing Changes (by BCL)

The following tables discuss proposed staffing changes from the 2006 Adopted Budget to the 2007 - 2008 Proposed Budgets. City Light does not propose to add or eliminate any positions from the current 2006 levels. All proposed reclassifications and transfers relate to the Alaska Way Tunnel and Seawall Replacement. For this project we anticipate a January 1, 2008 construction start date.

2007 Proposed Staffing Changes (by BCL)				
BCL Name	Position Name	Change Description (New, Increased, Reduced, or Eliminated position)	If Eliminated: Currently Filled/Vacant	If currently filled, will possible layoffs occur?
CIP – Power Supply	Various	Transfer 5 positions to CSED for Alaskan Way Tunnel		
CIP – Customer Service and Energy Delivery	Various – 7 CSED positions reclassified	Reclassification of 13 positions for Alaskan Way Tunnel		

2008 Proposed Staffing Changes (by BCL)				
BCL Name	Position Name	Change Description (New, Increased, Reduced, or Eliminated position)	If Eliminated: Currently Filled/Vacant	If currently filled, will possible layoffs occur?
None				

5. Along with the 2007 - 2008 Proposed Budget, DOF will provide Council Central Staff with citywide reports on hiring and contracting including the Affirmative Action Status Report produced by the Personnel Department, and the Payment Information by WMBE Ethnicity Report produced by the Department of Executive Administration. While no additional written information is required by departments on this subject, please be prepared to discuss the following:

- *Discuss the contracting goals and accomplishments during 2006, including the number of contracts and total dollar amounts by W/M category (e.g., African American, Asian, Native American, etc.), and percent of total contracts for the department.*
- *Discuss the number and percentage of the department workforce that are women and minorities by W/M category*